

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
POUGHKEEPSIE DIVISION**

-----X

In re:

CHAPTER 11

NEW YORK MILITARY ACADEMY,

CASE NO. 15-35379 CGM

Debtor.

-----X

APPLICATION FOR ORDER AUTHORIZING POST-PETITION FINANCING

TO: HON. CECELIA G. MORRIS
CHIEF U.S. BANKRUPTCY JUDGE
SOUTHERN DISTRICT OF NEW YORK

New York Military Academy, the debtor and debtor-in-possession, by its attorney, Lewis

D. Wrobel, Esq. respectfully states:

1. New York Military Academy filed a Petition for relief under Chapter 11 of the Bankruptcy Code on March 3, 2015.
2. The debtor makes this application for an Interim (the “Interim Order”) and a Final Order (the “Final Order”) and together with the Interim Order, the D.I.P. (the “D.I.P. Order”):
(a) granting pursuant to § 105,362(b), 364(c) and 364(d) of Chapter 11 of Title 11 of the United states Code Authorizing to obtain a post-petition loan from ITG Taxable Fund Management LLC (hereinafter referred to as “ITG:) secured by a first priority lien on all assets and equity interest directly owned or held by the debtor; (b) scheduling a final hearing thereon; and (c) granted related relief.
3. NYMA operates a military preparatory school in the Town of Cornwall, Orange County, New York.
4. NYMA is a not-for-profit corporation.

NEED FOR IMMEDIATE FINANCING

5. At the time of the filing of the Chapter 11 Petition and Schedules NYMA is in dire need of a cash infusion.
6. On the date of the Chapter 11 filing NYMA held approximately \$15,000.00 in its bank accounts.
7. On February 20, 2015 and March 5, 2015 NYMA was unable to meet its payroll obligations to its 53 employees.
8. NYMA is also in need of funds to maintain its physical plant.
9. NYMA is making every effort to maintain its operations to allow its 55 students in grades 8 through 12 to complete the Spring Semester.
10. NYMA has put forth a lean budget for operations during the debtor-in-possession period. A copy of the said budget is attached hereto and marked Exhibit A.

EFFORTS TO OBTAIN FINANCING

11. As stated in the accompanying Declaration of David Fields, First Vice-President of NYMA, the debtor has made exhaustive efforts to obtain funding.
12. NYMA has sought funds from Banks, unconventional lenders and its successful alumni.
13. Because of dwindling cash flow, no bank or credit union would extend credit to NYMA.
14. It should be noted that in the past few years a few alumni have loaned to the school a sum in excess of \$2 million. Although quite generous, this amount has not been able to solve the school's financial problems.

THE ITG TAXABLE FUND MANAGEMENT LLC CREDIT FACILITY

15. NYMA has entered into an agreement to borrow up to \$2,000,000.00 from ITG. A copy of the Proposed Credit Agreement is attached hereto and marked Exhibit B.
16. The initial disbursement pursuant to the ITG agreement would be \$750,000.00.

17. Key terms of the ITG Credit Facility are as follows:
- (a) Interest Rate: 10%
 - (b) Default Rate: 16%
 - (c) Use of Proceeds: Operations of debtor and administration of Chapter 11 case.
 - (d) Term: 1 year except upon occurrence of events such as Chapter 11 Plan Effective Date or Conversion to Chapter 7.
 - (e) Collateral: Perfected First Priority Lien on all of debtor's assets.
 - (f) Priority: Super Priority pursuant to 11 U.S.C. § 364(c)(1), (c)(2) and (c)(3).
also a priming lien pursuant to 11 U.S.C. § 364 (d).
 - (g) Commitment Fee: 1% of total credit facility.
 - (h) Application Fee: \$5,000.00
 - (i) Monthly Monitoring Fee: \$2,500.00
 - (j) Carve Out: \$150,000.00 for professionals and U.S. Trustee fees.

NEED FOR IMMEDIATE FINANCING

18. NYMA will suffer immediate and irreparable harm if the ITG Credit Facility is not approved by the Court.
19. The current budget of NYMA (exhibit A) shows minimal cash flow. the projected receipts through the end of the Spring Semester are only \$117,000.00.
20. As stated in the Declaration of David Fields the overdue payroll is approximately \$146,000.00.
21. Without an immediate infusion of funds the NYMA school will be forced to close operations and the students and their families will be left stranded. Also the physical plant; numerous buildings and athletic fields will not be properly maintained and will

deteriorate.

THE PRIMING OF CURRENT LIENS

22. NYMA holds 3 parcels of real property in the Town of Cornwall, Orange County, New York. A 77 acre parcel contains the school with the administrative and education buildings, dormitories, additional housing and athletic fields. there are also 2 undeveloped parcels, one is 33 acres and the other is 1+ acres.
23. The real property of NYMA is subject to a first mortgage lien held by Cornwall Improvement LLC in the sum of \$6,916,260.00 plus interest from July 29, 2014. Of that sum \$975,000.00 is default interest at the rate of 16% per annum.
24. The real property of NYMA is also subject to the following liens:
 - (a) Mortgage of Landmark Development Partners LLC in the sum of \$1.3 million.
 - (b) 2 Judgments of the New York State Department of Labor totaling \$10,511.29.
 - (c) Judgment of David Fields in the sum of \$344,924.67.
25. Landmark Development Partners LLC and David Fields consent to the entry of an Interim Order priming their liens.
26. The real property of NYMA has been appraised at \$10.1 million (see exhibit to the Declaration of David Fields). Cornwall Improvement LLC is adequately protected. There is an equity cushion for Cornwall Improvement LLC in excess of \$3 million.

WHEREFORE, New York Military Academy respectfully prays for an Order Pursuant to 11 U.S.C. § 105, 362, 364 (c) and 364 (d) and Federal Rules of Bankruptcy Procedure 4001 and 6003 to authorize debtor-in-possession financing for the Chapter 11 debtor herein and for such other and further relief as to this Court may seem just and proper.

Dated: Poughkeepsie, New York
March 5, 2015

/s/ Lewis D. Wrobel

LEWIS D. WROBEL, ESQ.